

Ramsay Health Care Limited

Results Briefing

Half Year ended 31 December 2016

Christopher Rex, Managing Director

23 February 2017

AGENDA

1. Group Operational and Financial Highlights
2. Segment Operational and Financial Highlights
3. Growth Strategy Update
4. Acquisitions
5. Outlook

Ramsay Health Care

50⁺

Over
50 years
experience
in operating
hospitals



Operating
across
6 countries



Admit
over **3 million**
patients p.a.



Ranked in
the **top 5**
private hospital
operators in
the world

The Ramsay network today



220 Hospitals



15 Healthcare & treatment facilities



25,000 Hospital beds



1,150 Operating theatres



38 Emergency departments



4,000 Mental health beds



200 Pharmacies



60,000 employees



Group Operational and Financial Highlights

GROUP HALF YEAR FINANCIAL HIGHLIGHTS

- Core NPAT up 12.8% to \$267.8 million

- Core EPS up 13.0% to 128.9 cents

- Group:
 - Revenue up 3.5% to \$4.3 billion (up 7.6% in constant currency)
 - EBIT up 8.8% to \$463.5 million

- Australia/Asia:
 - Australia Revenue up 8.8% to \$2.4 billion
 - Australia EBIT up 15.0% to 348.1 million
 - Equity accounted share of Asia JV net profits of \$6.9 million, up 55.4%

- United Kingdom:
 - Revenue up 6.8% to £217.3 million
 - EBITDAR up 2.4% to £51.7 million

- France:
 - Revenue up 6.1% to €1.1 billion
 - EBITDAR up 6.5% to €206.1 million

- Interim Dividend 53.0 cents fully franked, up 12.8%

HALF YEAR OPERATIONAL HIGHLIGHTS

- Solid half year-on-half year admissions growth in our major markets, particularly in Australia
- Completed \$142 million in brownfield developments with a further \$90 million approved during the period
- Majority of Ramsay's Australian Hospital funding arrangements were renewed during 2016 with outcomes that are satisfactory to the Company and with an average of 3 year terms
- Successful integration of HPM Group in France
- Global procurement strategy beginning to deliver substantial savings in supply costs – forecast to deliver over \$40 million of savings over the full year.
- Progressed strategy of establishing a network of retail pharmacies. Ramsay Pharmacy retail portfolio now includes 22 pharmacies with significant opportunities to grow the franchise operations in 2H 2017 and beyond

GROUP FINANCIAL PERFORMANCE

Six months ended 31 December	2016 \$m	2015 \$m	Increase
Revenue	4,318.7	4,173.1	3.5%
EBITDAR	841.1	797.7	5.4%
EBITDA	648.9	606.7	7.0%
EBIT	463.5	425.9	8.8%
Core NPAT attributable to members of the parent ⁽¹⁾	267.8	237.4	12.8%
Core EPS ⁽²⁾ (cents per share)	128.9¢	114.1¢	13.0%
Interim Dividend – fully franked (cents per share)	53.0¢	47.0¢	12.8%

Solid performance for the Group

Notes:

All numbers are in Australian dollars unless otherwise stated

⁽¹⁾ Core NPAT attributable to members of the parent is before non-core items. The minority interests share of Ramsay Générale de Santé Core NPAT has been removed in arriving at Core NPAT attributable to members of the parent

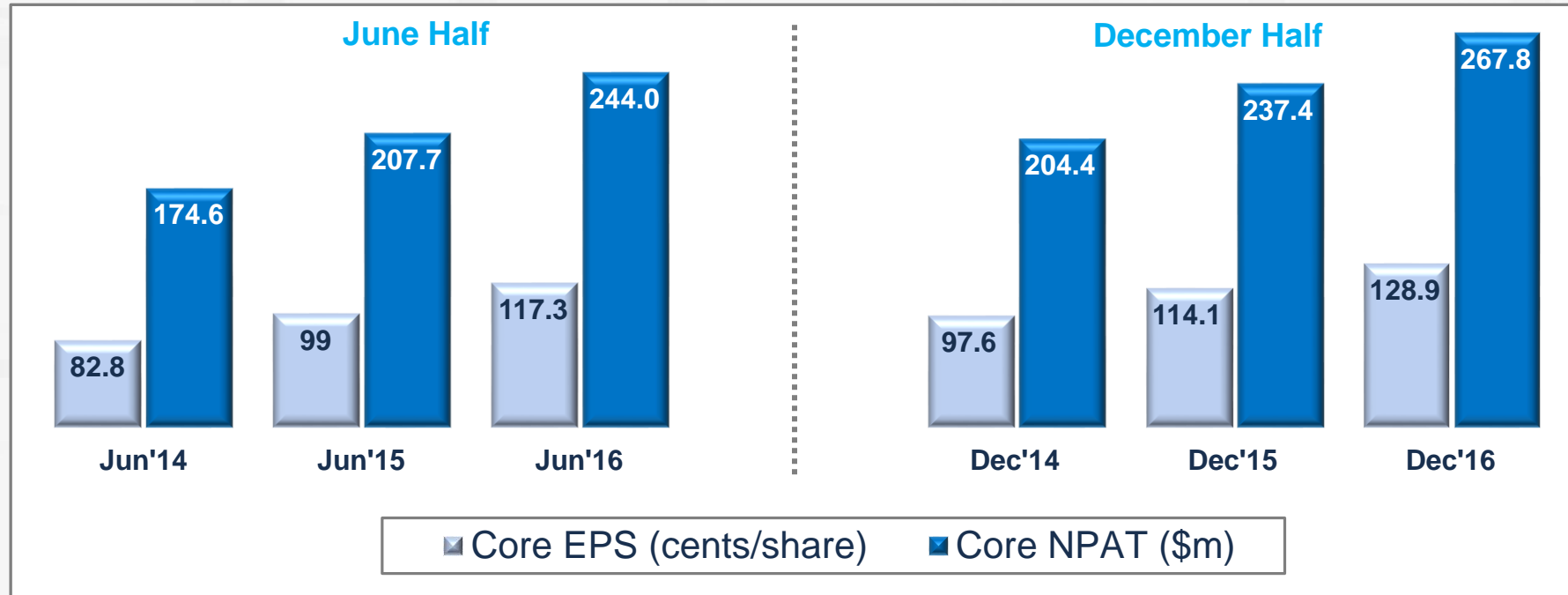
⁽²⁾ Core EPS is derived from core net profit after CARES dividends

RECONCILIATION TO REPORTED PROFIT

Six months ended 31 December	2016 \$m	2015 \$m	Increase
Core NPAT	267.8	237.4	12.8%
Non-core Items net of tax ⁽¹⁾	(11.9)	(12.6)	
Reported Statutory Net Profit after tax attributable to members of the Parent	255.9	224.9	13.8%

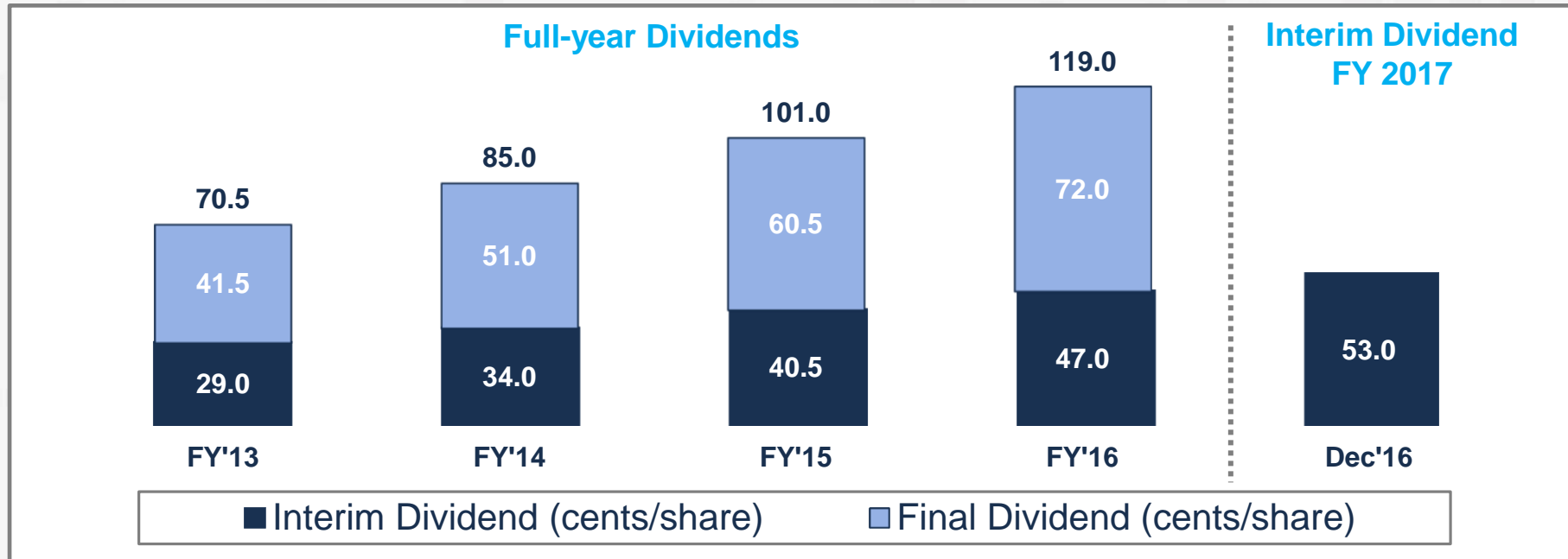
⁽¹⁾ Net non-core items (net of tax)	2016 \$m	2015 \$m
Deferred annual rent expense relating to UK hospitals	(6.4)	(8.4)
Profit/(Loss) on sale of non-current assets and impairment charges	19.3	1.5
Refinancing costs written off	(8.8)	-
Acquisition and development costs written off	(3.9)	(4.8)
Amortisation of intangibles	(1.7)	(1.6)
	(1.5)	(13.3)
Non controlling interest in non-core items	(10.4)	0.7
Net non-core items (net of tax) attributable to members of the Parent	(11.9)	(12.6)

CORE NPAT AND CORE EPS



- Core NPAT up 12.8% to \$267.8 million
- Core EPS up 13.0% to 128.9 cents

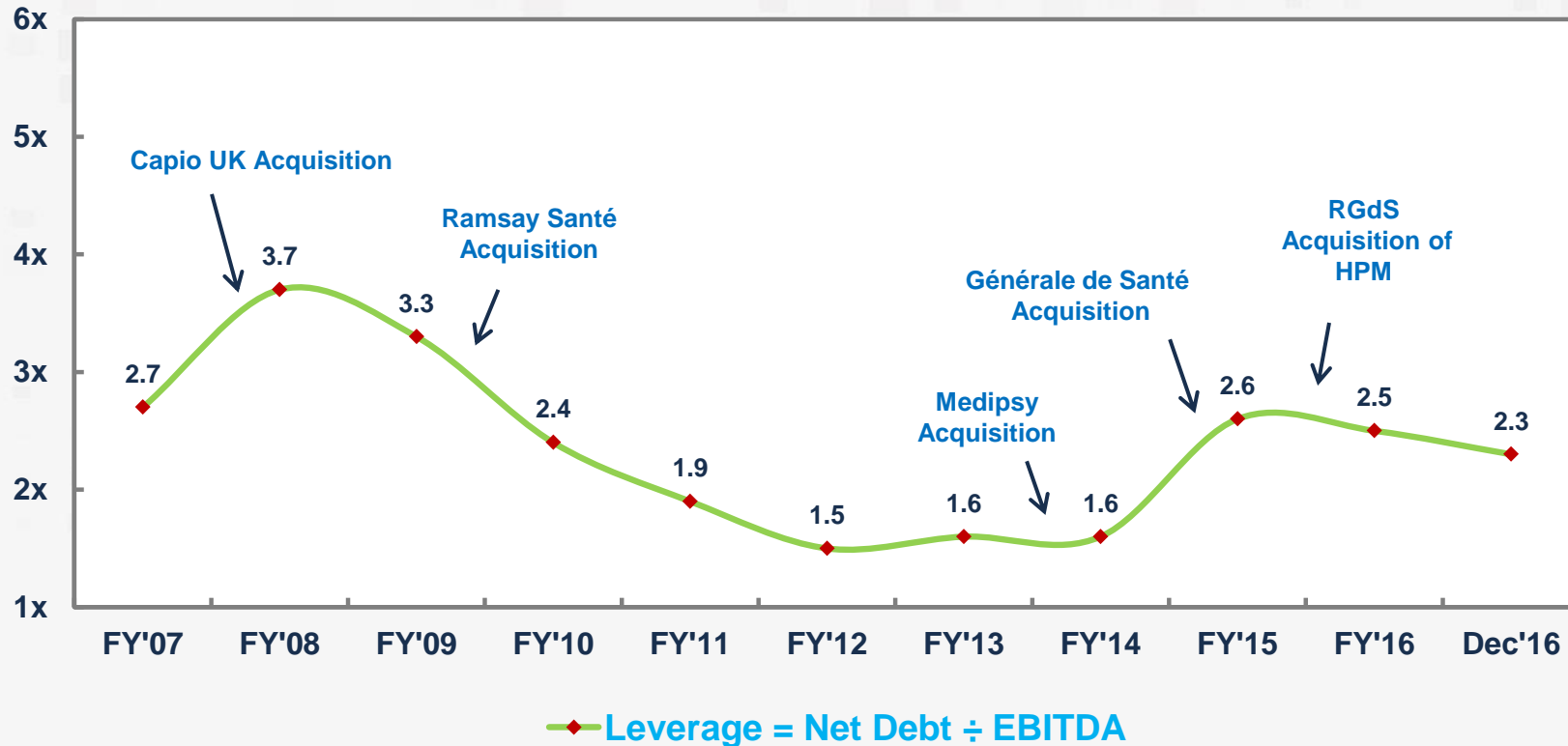
DIVIDEND GROWTH



- Strong consistent growth in dividends
- Interim dividend fully franked, up 12.8% on previous corresponding interim dividend, in line with growth in Core EPS
- Maintenance of a full year dividend payout ratio of approximately 50% of Core EPS, balance reinvested into the business

LEVERAGE AND CASH MANAGEMENT

Consolidated Balance Sheet Leverage Ratio



- Strong operating cash flow with high cash conversion rate
- Strong balance sheet with financial flexibility to continue to fund:
 - the pipeline of brownfield capacity expansion
 - future acquisitions

REFINANCING OF SENIOR DEBT FACILITIES

- In November 2016, the Ramsay Funding Group¹ refinanced the previous Syndicated Facility Agreement, by entering into new Syndicated Facility Agreements and a Common Terms Deed Poll (CTDP), as described at Note 5 of Appendix 4D
- The CTDP and the new syndicated facility agreements provide Ramsay with significantly improved terms and conditions including:
 - Greater flexibility to fund future growth initiatives
 - GBP and Euro facilities - significantly lower margins and extension of maturity
 - Access to more liquid and deeper offshore debt markets
 - Ability to access additional senior debt without re-negotiating existing agreements, (provided financial and other undertakings are satisfied)
- Capitalised costs totalling \$11.7m (\$8.8m net of tax) relating to the previous syndicated facility agreement were written off in the half year ended 31 December 2016 and recognised as a non-core item

¹ Ramsay and certain wholly owned subsidiaries

Segment Operational and Financial Highlights

FINANCIAL HIGHLIGHTS – AUSTRALIA & ASIA

Six Months ended 31 December	2016 \$m	2015 \$m	Increase
<u>AUSTRALIA</u> ⁽¹⁾			
Revenue	2,382.2	2,188.8	8.8%
EBITDAR	444.3	389.5	14.1%
EBITDA	422.3	370.4	14.0%
EBIT	348.1	302.7	15.0%
<i>(1) The above figures include Head Office</i>			
EBIT Margin (%)	14.6%	13.8%	77 bps
<u>ASIA</u>			
Equity accounted share of net profits of joint venture	6.9	4.4	55.4%

Australia:

- Ramsay achieved strong admissions growth during the period, despite some volatility in the Australian market
- Hospital EBITDA margin uplift of 70 bps to 20.0%
- Contract negotiations with majority of major health funders which were finalised in 2016

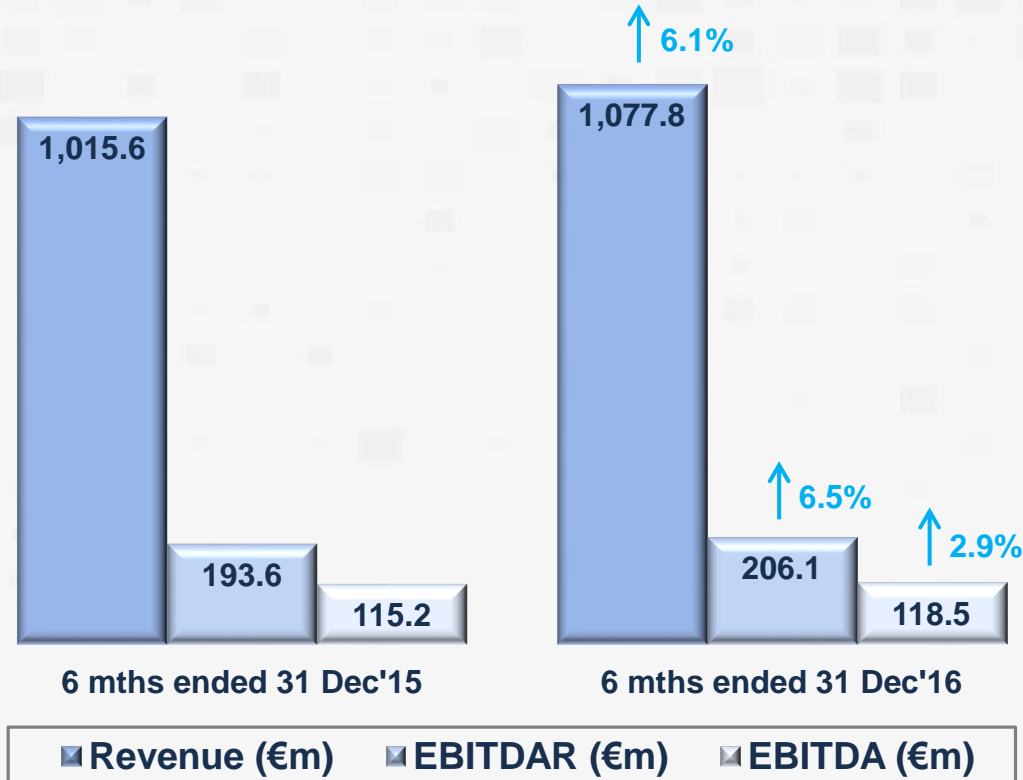
Asia:

- Strong operational performance in Malaysia and Indonesia

OUR OPERATING ENVIRONMENT - AUSTRALIA

- Continued growth in demand for health care
- New Federal Health Minister
- Uncertain future of various reviews
- Opportunity for wider health care debate
- Ramsay's unique position:
 - Quality of portfolio
 - Geographical diversity
 - Casemix diversity
 - Successful track record of brownfield development
 - Private/Public payer mix
 - Access to global procurement
 - Able to negotiate satisfactory outcomes with health insurers

FINANCIAL HIGHLIGHTS - FRANCE



EBITDAR growth of 6.5% - despite 2 years of tariff reductions.



Election in May 2017.

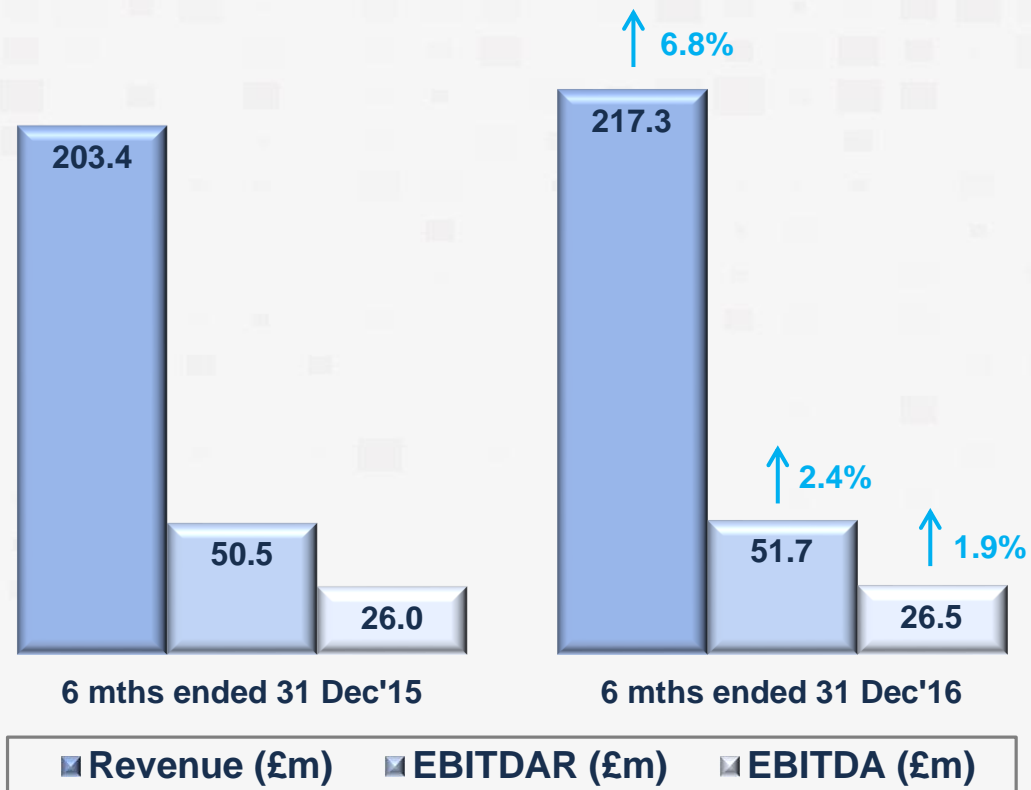


Contribution of HPM hospitals (acquired Dec15), overall admissions growth, and strong cost management contributed to positive result.



Cluster strategy progressing with some acquisition opportunities being assessed as well as some small divestments.

FINANCIAL HIGHLIGHTS – UNITED KINGDOM



Ramsay UK recorded strong revenue growth on the back of growth in NHS admissions.



EBITDAR increased 2.4% on previous period.



Ramsay remains leader in UK's independent sector for NHS admissions – achieved highest month ever for NHS admissions in November 2016.



Ongoing shortage of nursing staff in UK and the use of high cost agency staff, negatively impacted overall results and margins for the period.



Maintaining watching brief on impact of Brexit

Growth Strategy Update

DELIVERING ON OUR GROWTH STRATEGY

Creating shareholder value through our focused strategy

ORGANIC GROWTH

Underpinned by demographics, quality portfolio of hospitals, ongoing business improvement & volume expansion

BROWNFIELD CAPACITY EXPANSION

Unmet demand driving Ramsay's ongoing investment in capacity expansion

PUBLIC/PRIVATE COLLABORATIONS

Global focus on increasing private sector role in service provision for publically funded patients

ACQUISITIONS & STRATEGIC DEVELOPMENTS

Exploring acquisitions & strategic opportunities in existing & new markets
Ramsay has proven it can export its management model
Must add long-term value to shareholders



BROWNFIELD DEVELOPMENTS

In the first half FY17, Ramsay Health Care Group completed:



\$142M of developments completed; **\$90M** of new developments approvals



166 beds



6 operating theatres; A further **10** operating theatres to open in 2H



2 private emergency centres

MAJOR BROWNFIELDS OPENED IN 1H FY17



Peninsula Private Hospital –
Beds, Theatres, ED



New Farm Clinic – 36 new beds
and major refurbishment



New expanded ED Pindara
Private Hospital



New accommodation wing at
North Shore Private Hospital



Waverley Private Hospital –
Beds & Theatres

PIPELINE OF DEVELOPMENTS

Major developments currently underway and include:

- New mental health facility on the Gold Coast (The Southport Clinic)
- St Andrew's Private Hospital, Ipswich
- New Northside Clinic, Sydney
- Albert Road Clinic, Melbourne
- Major consulting suite developments at Greenslopes & John Flynn Private Hospitals
- 3 new theatres and day surgery expansion at The Avenue, Melbourne
- New 3 theatre day surgery in Croydon, UK



Architect Impression: All New Northside Clinic



Architect Impression: Albert Road Clinic



Architect Impression: St Andrew's Private Hospital

RAMSAY PHARMACY STRATEGY



- Commenced retail pharmacy strategy in Australia
- Plans to establish extensive network of franchised retail pharmacies throughout the country – for provision of pharmacy and associated services
- Ramsay Pharmacy retail portfolio now includes 22 pharmacies
- Expect to rapidly expand the network in 2017 and beyond



Outlook

Outlook

- Industry fundamentals remain strong - demand for healthcare continues to be driven by an ageing and growing population, clinical innovation and increasing consumer expectations
- With its unique global footprint, mix of public and private payers, and strategically located quality assets, Ramsay is well placed for future growth
- Global procurement strategy is beginning to deliver substantial savings in supply costs
- We continue to canvas opportunities for hospitals in new and existing markets
- Our retail pharmacy network will allow us to provide integrated care services to our patients in addition to chronic disease management and other non-hospital healthcare provision in the future
- Based on strength of the first half results and the continuation of robust growth across all our operations and barring unforeseen circumstances, Ramsay upgrades guidance of Core NPAT and Core EPS growth to 12% to 14% for full FY 2017 (previously 10% to 12%)



Ramsay
Health Care

People caring for people



Questions